

September 30, 2003

PAUL E. VOGEL
VICE PRESIDENT, NETWORK OPERATIONS MANAGEMENT

ALEXANDER LAZAROFF
VICE PRESIDENT, EASTERN AREA OPERATIONS

SUBJECT: Audit Report – Highway Network Scheduling – Eastern Area
(Report Number TD-AR-03-015)

Background

On July 5, 2002, the Office of Inspector General (OIG) announced an audit of highway network scheduling. The announcement responded to a request from the vice president, Network Operations Management. This report is one in a series of reports. It focuses on the Eastern Area (Project Number 02YG017TD005).



**Highway contractor originating at the Greenville, South Carolina
Processing and Distribution Center, May 12, 2003.**

Objective, Scope, and Methodology

The objective of our audit was to evaluate the effectiveness of scheduled highway contract routes, and to identify opportunities for cost savings.

The vice president, Network Operations Management, provided a list of plant-to-plant highway contract routes he wanted considered for elimination or consolidation. A total of 3,456 trips were operated under the 398 Eastern Area contracts. In preparation for our work, we provided the Eastern Area transportation manager with a list of contracts we intended to audit. During our audit, we interviewed officials at headquarters and in the Eastern Area; reviewed relevant Postal Service policies and procedures; visited 29 plants; interviewed managers and employees; observed and photographed operations; analyzed data in the Postal Service "Transportation Information Management Evaluation System"; evaluated mail volume and critical entry times for First-Class Mail and Priority Mail; and analyzed all 3,456 trips. We did not evaluate the reliability of the data obtained from the Transportation Information Management Evaluation System.

Work associated with the Eastern Area was conducted from March through September 2003 in accordance with generally accepted government auditing standards, and included such tests of internal controls, as were considered necessary under the circumstances. We discussed our conclusions and observations with appropriate management officials, and included their comments, where appropriate.

Prior Audit Coverage

Our audit report, Highway Network Scheduling – Pacific Area (Report Number TD-AR-02-003, dated September 24, 2002), identified 158 highway contract trips we thought could be eliminated, and consequently result in savings to the Pacific Area of about \$4.5 million. Management agreed with 124 trip terminations, but subsequently made certain substitutions they considered appropriate. Although local plant managers disagreed with 34 trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations. For other related prior audit coverage see Appendix A.

Audit Results

Unnecessary Highway Contract Trips

Our audit revealed the Postal Service could save about \$10.5 million by terminating 181 unnecessary trips. The trips could be terminated because trip mail volume was low, and mail could be consolidated on other trips without negatively affecting service.

Savings could be attained by canceling unnecessary trips that are currently contracted to continue from 1 to 3 years. The savings we identified included savings from nonrenewable trips, plus savings from trip cancellations net of cancellation fees totaling approximately \$873,000.

After we completed our analysis, we discussed the 181 trips with plant managers. The managers agreed 128 trips could be canceled, but disagreed with our assessment of another 53 trips. The trip cancellation proposals are summarized in the following table:

TRIP CANCELLATION PROPOSALS

CANCELLATION CATEGORY	NUMBER OF TRIPS	APPENDIX	IDENTIFIED SAVINGS
Trips we identified during audit work with which plant managers agreed.	128	B	\$ 6,018,458
Trips we identified during audit work with which plant managers disagreed.	<u>53</u>	C	<u>\$ 4,558,909</u>
Total	181		\$10,577,367

The plant managers disagreed with the 53 proposals for various reasons—generally that eliminating the trips would reduce operational flexibility or affect service. We continue to believe the potential for trip cancellation exists without jeopardizing service or operational flexibility and savings exists.

Recommendations

We recommend the vice president, Eastern Area Operations:

1. Cancel the 128 trips, which plant managers agree are unnecessary.
2. Reassess the 53 trips plant managers feel are necessary, cancel trips indicated by the reassessment as necessary, and document the reasons for retaining the other trips.

Management's Comments

Management concurred with the intent of our findings and recommendations. Regarding the trips we identified for elimination, management stated they had actions pending to eliminate, or had already eliminated, 90 trips. They explained most cancellations were as agreed during our audit, but that they had made certain substitutions they considered appropriate. Regarding the 53 trips we identified for elimination in recommendation 2, but with which local plant managers disagreed, management stated they would reassess the trips, and retain or eliminate the trips as appropriate. Management also cited other trips not identified by our audit, and explained the trips were eliminated as a result of their own breakthrough productivity initiative.

Regarding monetary findings, management stated they were unable to validate our findings at this time. They explained their methodology for calculating savings was

restricted to a 1-year planning/budgeting cycle, did not include savings on a cancelled trip if the contract extended beyond 1-year, and that their calculations were impacted by changing requirements and substitutions. However, management stated when their reassessment of all recommended cancellations was complete, and when they had reconciled cost methodologies, they would notify the OIG of all cancellations and of resulting savings. Management also acknowledged our willingness to work with them to minimize cost. Management's comments, in their entirety, are included in Appendix D of this report.

Evaluation of Management's Comments

Management's comments are responsive to our recommendations. We consider the actions taken or planned sufficient to address the issues we identified.

The OIG considers recommendations 1 and 2 significant and, therefore, requires OIG concurrence before closure. Consequently, the OIG requests written confirmation when corrective action(s) are completed. These recommendations should not be closed in the follow-up tracking system until the OIG provides written confirmation that the recommendations can be closed.

We appreciate the cooperation and courtesies provided by your staff during the audit. If you have any questions or need additional information, please contact Joe Oliva, director, Transportation and Delivery, at (703) 248-2100, or me at (703) 248-2300.

Mary W. Demory
Deputy Assistant Inspector General
for Core Operations

Attachment

cc: Patrick R. Donahoe
John A. Rapp
Anthony M. Pajunas
Susan M. Duchek

APPENDIX A. PRIOR AUDIT COVERAGE

Our audit report, Highway Network Scheduling – Northeast Area (Report Number TD-AR-03-002, dated November 25, 2002), identified 18 highway contract trips we thought could be eliminated, and consequently result in savings to the Northeast Area of about \$777,000. Management agreed with ten trip terminations, but subsequently made certain substitutions they considered appropriate. Although local plant managers disagreed with eight trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

Our audit report, Highway Network Scheduling – Capital Metro Area (Report Number TD-AR-03-007, dated March 28, 2003), identified 34 highway contract trips we thought could be eliminated, and consequently result in savings to the Capital Metro Area of about \$1.1 million. Management agreed with 20 trip terminations, but subsequently made certain substitutions they considered appropriate. Although local plant managers disagreed with 14 trips we identified, management agreed to reassess the trips, retain, or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

Our audit report, Highway Network Scheduling – New York Metro Area (Report Number TD-AR-03-008, dated March 31, 2003), identified 32 highway contract trips we thought could be eliminated, and consequently result in savings to the New York Metro Area of about \$470,000. Management agreed with 12 trip terminations and canceled all 12 trips. Although local plant managers disagreed with 20 trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

Our audit report, Highway Network Scheduling – Southwest Area (Report Number TD-AR-03-0010, dated July 11, 2003), identified 249 highway contract trips we thought could be eliminated, and consequently result in savings to the Southwest Area of about \$6 million. Management agreed with 148 trip terminations, but indicated they may make certain substitutions they considered appropriate. Although local plant managers disagreed with 101 trips we identified, management agreed to reassess the trips, retain or eliminate trips as appropriate, and notify the OIG of all canceled trips, as well as the resulting savings. We considered management's actions responsive to our recommendations.

**APPENDIX B. TRIPS IDENTIFIED DURING AUDIT WORK WITH
WHICH PLANT MANAGERS AGREED**

Effective Date of Last Contract Change	Highway Contract Route	Trip Number	Origin/Destination	Estimated Contract Savings	Indemnity Fees	Estimated Cost Savings
10/5/02	296MD	1, 2, 7, 8, 11, 12, 25, 26, and 31	Greenville, South Carolina, Annex to Greenville, South Carolina, Priority Annex; Greenville, South Carolina, Processing and Distribution Center to Greenville, South Carolina, Airport Mail Facility and Return	\$209,496	\$18,622	\$190,874
11/4/02	250AD	29 and 30	Charleston, West Virginia, Processing and Distribution Center to Yeager Airport and Return	39,329	4,767	34,562
7/1/02	28018	11 and 12	Charlotte, North Carolina, Processing and Distribution Center to Columbia, South Carolina, Processing and Distribution Center and Return	143,249	0	143,249
11/2/02	28041	1, 2, 33, and 34	Charlotte, North Carolina, Processing and Distribution Center to Huntersville, West Virginia, Facility and Return	20,439	0	20,439
10/5/02	28510	1, 2, 3, 4, 5, 6, 13, 14, 15, 16, 19, and 20	Kinston Processing and Distribution Facility to Fayetteville Processing and Distribution Facility and Return	113,290	25,174	88,116
2/15/03	283L4	21, 22, 23, and 24	Fayetteville, North Carolina, Processing and Distribution Facility to Dunn Warsaw, North Carolina, Facility to Fayetteville, North Carolina, Processing and Distribution Facility and Return	58,035	0	58,035
7/1/02	283UT	1 and 2	Fayetteville, North Carolina, Processing and Distribution Facility to Fayetteville, North Carolina, Airport Mail Facility and Return	10,068	0	10,068
8/10/02	44028	1 and 2	Cleveland, Ohio, Processing and Distribution Center to Canton, Ohio, Facility and Return	53,157	5,906	47,251
2/18/02	430L2	3 and 4	Columbus, Ohio, Processing and Distribution and Center to Lima, Ohio, Facility and Return	100,628	9,584	91,044

**APPENDIX B. TRIPS IDENTIFIED DURING AUDIT WORK WITH
WHICH PLANT MANAGERS AGREED**

Effective Date of Last Contract Change	Highway Contract Route	Trip Number	Origin/Destination	Estimated Contract Savings	Indemnity Fees	Estimated Cost Savings
11/2/02	45060	13 and 14	Cincinnati, Ohio, Processing and Distribution Center to Middletown, Ohio, Facility and Return	\$132,327	\$ 0	\$132,327
9/2/02	45339	7 and 8	Dayton, Ohio, Processing and Distribution Center to Springfield, Ohio, Facility and Return	20,849	2,317	18,532
9/30/02	45343	1, 2, 23, and 24	Dayton, Ohio, Processing and Distribution Center to Sidney, Ohio, Facility; Dayton, Ohio, Processing and Distribution Center to Piqua, Ohio, Facility and Return	57,985	6,443	51,542
11/2/02	159L0	3 and 4 (Sat only)	Johnstown, Pennsylvania, Processing and Distribution Facility to Pittsburgh, Pennsylvania, Processing and Distribution Center and Return	27,885	3,380	24,505
1/25/03	16314	1 and 2	Oil City, Pennsylvania, Facility to Pittsburgh, Pennsylvania, Processing and Distribution Center and Return	116,683	11,113	105,570
10/5/02	17520	9 and 10	Lancaster, Pennsylvania, Processing and Distribution Center to Philadelphia Truck Terminal and Return	330,196	29,351	300,845
11/2/02	18415	1, 2, 501, 502, 503, 504, 505, and 506	Scranton, Pennsylvania, Processing and Distribution Facility to Philadelphia Truck Terminal; Wilkes Barre Processing and Distribution Facility to Lehigh Valley Processing and Distribution Center and Return	304,409	33,823	270,586
11/2/02	18416	5 and 6	Scranton Processing and Distribution Facility to Harrisburg, Pennsylvania, Processing and Distribution Center and Return	14,273	1,586	12,687
9/7/02	19014	13 and 14	Philadelphia, Pennsylvania, Processing and Distribution Center to Southeastern Pennsylvania Processing and Distribution Center and Return	18,262	2,029	16,233

APPENDIX B. TRIPS IDENTIFIED DURING AUDIT WORK WITH WHICH PLANT MANAGERS AGREED

Effective Date of Last Contract Change	Highway Contract Route	Trip Number	Origin/Destination	Estimated Contract Savings	Indemnity Fees	Estimated Cost Savings
7/27/01	190L7	3 and 4	Philadelphia, Pennsylvania, Processing and Distribution Center to Washington D.C. Processing and Distribution Center and Return	\$80,931	\$8,992	\$71,939
7/1/01	19416	9, 10, 17, and 18	Southeastern Pennsylvania, Processing and Distribution Center to Philadelphia Airport Mail Facility and Return	97,461	9,282	88,179
8/20/01	194L8	3 and 4	Southeastern Pennsylvania Processing and Distribution Center to Philadelphia Airport Mail Facility and Return	27,391	3,320	24,071
7/1/02	19511	9 and 10	Reading, Pennsylvania, Processing and Distribution Facility to Harrisburg Facility and Return	24,079	2,919	21,160
6/30/03	17014	611, 612, 613, and 614	Philadelphia, Pennsylvania, Priority Mail Processing Center to Philadelphia, Pennsylvania, Airport Mail Center and Return	172,462	15,330	157,132
12/28/02	270ED	11, 12, 25, 26, 43, and 44	Greensboro Processing and Distribution Center to Greensboro Airport Mail Center and Return	29,258	6,504	22,754
11/30/02	27096	801, 802, 803, 805, 806, 807, and 808	Greensboro, North Carolina, Bulk Mail Center to Lexington, North Carolina, Facility; Highpoint, North Carolina, Facility and Return	155,106	14,773	140,333
7/1/02	197BE	1 and 2	Delaware Processing and Distribution Center to Bronx Facility and Return	298,626	35,132	263,494
7/1/01	08045	33 and 34	South Jersey Processing and Distribution Center to Atlantic City, New Jersey, Facility and Return	100,815	9,601	91,214
8/9/02	15019	3 and 4	Pittsburgh, Pennsylvania, Processing and Distribution Center to Philadelphia, Pennsylvania, Processing and Distribution Center and Return	1,223,144	0	1,223,144
11/10/01	15027	7 and 8	Pittsburgh, Pennsylvania, Processing and Distribution Center to Greensburg, Pennsylvania, Mail Processing Center and Return	137,832	0	137,832

**APPENDIX B. TRIPS IDENTIFIED DURING AUDIT WORK WITH
WHICH PLANT MANAGERS AGREED**

Effective Date of Last Contract Change	Highway Contract Route	Trip Number	Origin/Destination	Estimated Contract Savings	Indemnity Fees	Estimated Cost Savings
11/2/02	150AD	4605 and 4606	Pittsburgh, Pennsylvania, Processing and Distribution Center to Indianapolis Facility and Return	\$380,100	\$72,400	\$307,700
11/2/02	24016	5, 6, 7, and 8	Roanoke, Virginia, Processing and Distribution Center to Dulles, Virginia, Processing and Distribution Center and Return	640,909	61,038	579,871
5/18/02	24211	9, 10, 11, and 12	Bristol, Virginia, Processing and Distribution Center to Johnson City Processing and Distribution Center and Return	170,664	0	170,664
9/8/02	405DE	3701 and 3702	Lexington, Kentucky, Processing and Distribution Center to Southeast Facility and Return	232,644	0	232,644
2/1/03	40010	11 and 12	Louisville, Kentucky, Processing and Distribution Center to Owensboro Processing and Distribution Center and Return	96,579	10,731	85,848
7/13/02	40730	3 and 4	London Processing and Distribution Facility to Somerset Processing and Distribution Center and Return	78,632	0	78,632
7/1/01	40390	801, 803, 825, 826, 835, 836, 837, and 838	Lexington, Kentucky, Processing and Distribution Center to Cincinnati Bulk Mail Center and Return	352,798	33,600	319,198
9/7/02	27296	805, 806, 807, and 808	Greensboro, North Carolina, Mail Center to Lynchburg, Virginia, Processing and Distribution Center and Return	426,835	40,651	386,184
Total		128 Trips		\$6,496,826	\$478,368	\$6,018,458

APPENDIX C. TRIPS IDENTIFIED DURING AUDIT WORK WITH WHICH PLANT MANAGERS DISAGREED

Effective Date of Last Contract Change	Highway Contract Route	Trip Number	Origin/Destination	Estimated Contract Savings	Indemnity Fees	Estimated Cost Savings
7/1/02	25013	3 and 4	Charleston, West Virginia, Processing and Distribution Center to Pittsburgh, Pennsylvania, Processing and Distribution Center and Return	\$107,855	\$13,073	\$94,782
11/11/02	25014	9 and 10	Charleston, West Virginia, Processing and Distribution Center to Ashland, Kentucky, Processing and Distribution Center and Return	6,959	773	6,186
11/2/02	25511	3 and 4	Huntington, West Virginia, Facility to Pittsburgh, Pennsylvania, Processing and Distribution Center and Return	228,468	25,385	203,083
8/25/01	26312	12 and 13	Clarksburg, West Virginia, Processing and Distribution Facility to Pittsburgh, Pennsylvania, Processing and Distribution Center and Return	141,436	17,144	124,292
10/5/02	28011	20, 21, 23, and 24	Fayetteville, North Carolina, Processing and Distribution Facility to Charlotte, North Carolina, Processing and Distribution Center to Downing Road Annex North Carolina Charlotte North Park Annex North Carolina to Downing Road Annex North Carolina and Return	710,762	0	710,762
7/1/02	28013	5 and 6	Florence, South Carolina, Processing and Distribution Facility to Charlotte, North Carolina, Processing and Distribution Center and Return	169,118	0	169,118
7/1/02	28018	3 and 4	Charlotte, North Carolina, Processing and Distribution Center to Columbia, South Carolina, Processing and Distribution Center and Return	24,230	0	24,230
7/1/02	18018	7 and 8	Lehigh Valley, Pennsylvania, Processing and Distribution Center to Philadelphia, Pennsylvania, Processing and Distribution Center and Return	192,258	23,304	168,954
11/2/02	271U0	7 and 10	Greensboro, North Carolina, Processing and Distribution Center to Raleigh, North Carolina, Processing and Distribution Center and Return	125,307	11,934	113,373

**APPENDIX C. TRIPS IDENTIFIED DURING AUDIT WORK WITH
WHICH PLANT MANAGERS DISAGREED**

Effective Date of Last Contract Change	Highway Contract Route	Trip Number	Origin/Destination	Estimated Contract Savings	Indemnity Fees	Estimated Cost Savings
11/30/02	271AA	9, 10, 21, and 22	Greensboro, North Carolina, Processing and Distribution Center to Winston Salem, North Carolina, Facility and Return	\$83,880	\$18,640	\$65,240
10/5/02	275L1	9 and 10	Raleigh, North Carolina, Processing and Distribution Center to Fayetteville, North Carolina, Processing and Distribution Facility and Return	119,364	11,369	107,995
11/19/02	27513	1 and 2	Raleigh, North Carolina, Processing and Distribution Center to Chapel Hill, North Carolina, Processing and Distribution Facility and Return	79,020	7,024	71,996
7/1/02	19718	9, 10, 17, and 18	Delaware Processing and Distribution Center to Philadelphia, Pennsylvania, Truck Terminal Annex and Return	187,278	22,700	164,578
12/30/02	19910	1, 2, 5, 6, 15, and 16	Dover, Delaware, Processing and Distribution Center to Delaware Processing and Distribution Center and Return	294,430	35,688	258,742
11/20/02	080BE	4605 and 4606	Southeastern Pennsylvania Processing and Distribution Center to Indianapolis, Indiana, Facility and Return	698,113	66,487	631,626
7/14/01	15018	601 and 602	Pittsburgh, Pennsylvania, Airport Mail Center to Clarksburg, West Virginia, Processing and Distribution Facility and Return	300,952	0	300,952
5/18/02	24211	1 and 2	Bristol, Virginia, Facility to Johnson City, Tennessee, Facility and Return	83,680	0	83,680
10/5/02	190L2	4601 and 4602	Philadelphia, Pennsylvania, Processing and Distribution Center to Indianapolis, Indiana, Facility and Return	877,353	83,557	793,796
2/1/03	40010	5 and 6	Louisville, Kentucky, Processing and Distribution Center to Evansville, Indiana, Processing and Distribution Facility and Return	97,729	10,859	86,870
11/2/02	42010	1 and 2	Paducah, Kentucky, Processing and Distribution Facility to Jackson, Tennessee, Facility and Return	66,139	7,349	58,790

**APPENDIX C. TRIPS IDENTIFIED DURING AUDIT WORK WITH
WHICH PLANT MANAGERS DISAGREED**

Effective Date of Last Contract Change	Highway Contract Route	Trip Number	Origin/Destination	Estimated Contract Savings	Indemnity Fees	Estimated Cost Savings
2/8/03	24011	1 and 2	Roanoke, Virginia, Processing and Distribution Center to LaGuardia, New York, Airport Mail Center and Return	\$349,587	\$38,843	\$310,744
11/30/02	27096	804	Greensboro Bulk Mail Center to Lexington, North Carolina, facility	10,080	960	9,120
Total		53 Trips		\$4,953,998	\$395,089	\$4,558,909

APPENDIX D. MANAGEMENT'S COMMENTS

ALEXANDER LAZAROFF
VICE PRESIDENT, EASTERN AREA OPERATIONS



September 16, 2003

MEMORANDUM FOR MARY W. DEMORY
DEPUTY ASSISTANT
INSPECTOR GENERAL FOR CORE OPERATIONS

SUBJECT: Draft Audit Report, Highway Network Scheduling
 Eastern Area (Report Number TD-AR-03-DRAFT)

This letter is in response to the above mentioned Office of Inspector General (OIG) draft audit report dated, August 20, 2003.

This office concurs with the intent of your findings and recommendations. In total, the report identified 182 trips for possible elimination, of which 129 trips were included in Appendix B. To date, the Eastern Area has eliminated, or has pending action to eliminate, 90 trips (six of which are from Appendix C) for an annual savings of \$908,247. Most cancellations are as we agreed during the audit. However, we have made some substitutions we think appropriate. We have HCRs, not identified through the OIG audit work, with FY03 credited savings due to transportation BPI initiatives within the Eastern Area. These efforts have allowed us to see \$2.1 million in savings for FY03. Also, in addition to the routes identified, the Eastern Area has projected savings of \$2.8 million in HCR service and \$500,000 in reducing DONDVs in FY04.

Appendix C of your report recommended 53 trips for elimination, but these were recommendations with which our Plant Managers disagreed. We concur with the OIG's recommendation to reassess the trips. We will reassess the trips and retain or eliminate as may be appropriate, and notify you of the action taken.

Regarding monetary findings, we are unable to validate the OIG's findings at this time. When calculating savings, our normal methodology is to restrict identified savings to a one-year planning/budgeting cycle. Based on our continuing discussion with the OIG, we understand the OIG uses a different methodology extending beyond the current year to contract term. Because of changing requirements, resulting trip substitutions or adjustments, and shorter periods for calculating cost benefits, our identified savings differ from the OIG. The OIG has expressed a willingness to work with us to reconcile differences toward the goal of minimizing costs. Therefore, when our reassessment of all recommended cancellations is complete, and we have reconciled methodologies for calculating cost benefit, we will specify anticipated savings.

If you have any questions concerning this matter, please contact [REDACTED]

for: **Alexander Lazaroff**
Vice President, Area Operations
Eastern Area
5315 CAMPBELL RUN ROAD
PITTSBURGH, PA 15207-7070
Fax: 412/494-2542

APPENDIX B – Trips Identified during Audit Work Agreed to by Plant Managers

	HCR ID	TRIPS	DECISION	SAVINGS
1.	15019	3 & 4	Agree	Service change pending
2.	16314	1 & 2	Agree	\$60,362.02 (Estimated)
3.	17014	611 & 612	Agree	\$24,308.82 (Estimated)
4.	17014	613 & 614	Agree	\$24,308.82 (Estimated)
5.	17520	1 & 2	Agree	\$78,082.54 (Estimated)
6.	18415	1 & 2	Agree	Service change pending
7.	18415	501 & 502	Agree	Service change pending
8.	18415	503 & 504	Agree	Service change pending
9.	18415	505 & 506	Agree	Service change pending
10.	18416	5 & 6	Agree	\$16,140.18 (Estimated)
11.	190L7	3 & 4	Agree	Contract is now 190AT and only one round trip.
12.	19014	13 & 14	Agree	\$22,342.07 (Estimated)
13.	194L8	3 & 4	Agree	\$9,822.14 (Estimated)
14.	19416	9 & 10	Agree	\$22,327.58 (Estimated)
15.	19416	17 & 18	Agree	\$26,299.34 (Estimated)
16.	19511	9 & 10	Agree	\$47,417.07 (Estimated)
17.	24211	9 & 10	Agree	\$21,621.81 (Estimated)
18.	24211	11 & 12	Agree	\$30,525.15 (Estimated)
19.	270ED	43 & 44	Agree	\$10,481.07 (Estimated)
20.	27096	801 & 802	Agree	\$43,391.18 (Completed with July renewal)
21.	27096	803 & 804	Agree	See above
22.	27096	805 & 806	Agree	See above
23.	27096	807 & 808	Agree	See above
24.	28018	11 & 12	Agree	Service change pending
25.	28041	1 & 2	Agree	\$24,476.04 (Estimated)
26.	28041	33 & 34	Agree	\$2,972.37 (Estimated)
27.	283L4	21 & 22	Agree	\$7,591.30 (Estimated)
28.	283L4	23 & 24	Agree	\$8,147.07 (Estimated)
29.	28510	1 & 2	Agree	\$11,091.53 (Estimated)
30.	28510	13 & 14	Agree	\$13,096.00 (Estimated)
31.	28510	15 & 16	Agree	\$11,091.53 (Estimated)
32.	28510	19 & 20	Agree	\$13,096.00 (Estimated)
33.	40010	11 & 12	Agree	\$72,931.78 (Estimated)

APPENDIX B – Trips Identified during Audit Work Agreed to by Plant Managers

	HCR ID	TRIPS	DECISION	SAVINGS
34.	40390	825 & 826	Agree	\$113,652.60 (Estimated)
35.	40390	835 & 836	Agree	Service change pending
36.	40390	837 & 838	Agree	Service change pending
37.	405DE	3701 & 3702	Agree	\$79,114.04 (Estimated, contract terminated)
38.	430L2	3 & 4	Agree	\$47,784.85 (Estimated)
39.	45060	13 & 14	Agree	\$45,126.04 (Estimated)
40.	45339	7 & 8	Agree	\$25,763.77 (Estimated)
41.	45343	1 & 2	Agree	\$39,926.02 (Estimated)
42.	45343	23 & 24	Agree	\$28,240.35 (Estimated)
43.	40390	801	Disagree	Unable to eliminate half of a round trip.
44.	40390	803	Disagree	Unable to eliminate half of a round trip.
45.	296MD	31	Disagree	Unable to eliminate half of a round trip.
46.	296MD	1 & 2	Disagree	Supports crossdock of 2/3 day mail to HASPs
47.	296MD	7 & 8	Disagree	DOV for AO priority mail to PDC.
48.	296MD	11 & 12	Disagree	Supports box mail.
49.	296MD	25 & 26	Disagree	Supports priority processing at Annex.
50.	28510	3 & 4	Disagree	Trips cannot be changed unless all outgoing operations in Kinston are moved to Raleigh and there are no plans for such a move.
51.	28510	5 & 6	Disagree	Trips cannot be changed unless all outgoing operations in Kinston are moved to Raleigh and there are no plans for such a move.
52.	270ED	11 & 12	Disagree	Change made on 5/17/03, trip 11 is now 80%+ and trip 12 is 40%.
53.	270ED	25 & 26	Disagree	Change made on 5/17/03. Trip 25 is now trip 23 and 26 is now 24. These trips are run with a larger vehicle and utilization has increased.
54.	197BE	1 & 2	Disagree	Disagree. Trip will be reevaluated in the future.
55.	08045	33 & 34	Disagree	Trip time was adjusted to better serve the receiving offices.
56.	15027	7 & 8	Disagree	Trip 9/10 cannot accommodate the additional volume.
57.	150AD	4605 & 4606	Disagree	Trip inbound is 100%. Possible closing of Indy on Sundays would result in savings.
58.	40730	3 & 4	Disagree	Trip supports 50% by 1800 cancellation goal.
59.	283UT	1 & 2	Follow up	Issues with mail coming in to FAY need to be resolved prior to elimination of this trip.
60.	24016	5 & 6	Follow up	With the closing of the Roanoke Annex and changes being made between Lynchburg and Roanoke, waiting before making any adjustments to contract.

APPENDIX B – Trips Identified during Audit Work Agreed to by Plant Managers

	HCR ID	TRIPS	DECISION	SAVINGS
61.	24016	7 & 8	Follow up	With the closing of the Roanoke Annex and changes being made between Lynchburg and Roanoke, waiting before making any adjustments to contract.
62.	27296	805 & 806	Follow up	Charleston District has proposed to process Roanoke volumes in Lynchburg - volume will increase on this truck.
63.	27296	807 & 808	Follow up	Charleston District has proposed to process Roanoke volumes in Lynchburg - volume will increase on this truck.
64.	250AD	29 & 30	Follow up	Pending CAIR03 issues prevent changes at this time.
65.	159L0	3 & 4 (Sat only)	Follow up	AMP program began 8/2/03. Will be monitored and reassessed to see if reductions can be made.
66.	44028	1 & 2	Follow up	

APPENDIX C – Trips Identified during Audit Work, Plant Managers Disagreed

	HCR	Trips	Decision	Reason
1.	18018	7 & 8	Agree	Service change request will be submitted to eliminate trips 3/4 on HCR 18020.
2.	24211	1 & 2	Agree	Service change request to be submitted.
3.	24011	1 & 2	Agree	Service change request submitted and departure time has changed to 0300 eliminating poor utilization.
4.	26312	12 & 13	Disagree	Meeting planned with EADN and Pittsburgh to zerobase transportation.)
5.	28011	20 & 21	Disagree	Needed for 2-day fly mail.
6.	28011	23 & 24	Disagree	North Park Annex dispatch.
7.	28013	5 & 6	Disagree	Overnight commitment from Florence to Charlotte.
8.	28018	3 & 4	Disagree	Transports priority mail.
9.	27096	804	Disagree	Unable to eliminate half round trip.
10.	271U0	7	Disagree	Supports overnight commitment. Unable to eliminate half round trip
11.	271U0	10	Disagree	Supports FedEx network. Unable to eliminate half round trip
12.	271AA	9 & 10	Disagree	Trip supports mail flow to Winston/Salem Station.
13.	271AA	20	Disagree	Unable to eliminate half round trip.
14.	271AA	22	Disagree	Trip supports mail flow to Winston/Salem Station. Unable to eliminate half round trip
15.	275L1	9 & 10	Disagree	Trip provides service between Fayetteville, RDU, and the THS - elimination would be detriment to priority service in the 283 area.
16.	27513	1 & 2	Disagree	Trip 1 averages 50% load, trip 2 brings back MTE and averages 60% load.
17.	19718	9 & 10	Disagree	Supports 2-day destinating mail and Saturday AMP.
18.	19718	17 & 18	Disagree	IOP agreement to transport overnight mail.
19.	19910	1 & 2	Disagree	Transports all machineable flats, first-class, priority, and carrier routed mail.
20.	19910	5 & 6	Disagree	Transports mid-day collection mail to support the 50% by 1800 cancellation goal.
21.	19910	15 & 16	Disagree	Transports registers, express, and late collection mail.

APPENDIX C – Trips Identified during Audit Work, Plant Managers Disagreed

22.	080BE	4605 & 4606	Disagree	Truck leaves Southeastern 65 - 70%, mail cannot be combined on truck leaving South Jersey.
23.	15018	601 & 602	Disagree	Trip time change increased utilization. Priority mail to Clarksburg.
24.	190L2	4601 & 4602	Disagree	This trip supports the Harrisburg HASP. Trip brings surface rollover to the Plant for crossdock - eliminates surface volume flown.
25.	40010	5 & 6	Disagree	Provides even flow of mail to Evansville, trip 6 is dispatch of value for surface and Shared Network connections.
26.	42010	1 & 2	Disagree	Overnight commitment.
27.	25013	3 & 4	Follow up	Meeting planned with EADN and Pittsburgh to zerobase transportation.
28.	25014	9 & 10	Follow up	Meeting planned with EADN and Pittsburgh to zerobase transportation.
29.	25511	3 & 4	Follow up	Meeting planned with EADN and Pittsburgh to zerobase transportation.

TRANSPORTATION BPI CREDIT – FY03

HCR	FY03 CREDIT (Savings)	HCR	FY03 CREDIT (Savings)	HCR	FY03 CREDIT (Savings)
080L4	\$18,517.81	19791	\$32,646.94	28533	\$22,175.51
08034	\$1,295.99	19910	\$5,647.60	40010	\$12,368.76
150L0	\$12,114.87	240L1	\$574,013.04	40017	\$1,083.38
15037	\$29,865.52	24016	\$378,029.46	40030	\$1,322.25
15039	\$10,131.67	245L2	\$853.88	40064	\$4,008.43
151AQ	\$41,056.31	24531	\$17,260.18	40230	\$309.26
159L7	\$997.95	270L0	\$7,651.10	40736	\$2,941.85
16027	\$1,390.01	270L4	\$15,808.27	434L1	\$4,992.31
16140	\$3,536.25	270L7	\$586.84	44646	\$4,406.38
16191	\$2,091.24	27095	\$240.23	450AK	\$8,763.53
163AD	\$846.15	27194	\$196,474.31	450BK	\$9,841.95
163CG	\$1,448.95	27195	\$153,556.96	450CK	\$2,178.99
16491	\$14,870.50	27510	\$2,948.43	450L3	\$80,993.13
180L1	\$23,525.58	27513	\$77,089.33	450M2	\$134.45
18041	\$2,923.00	28030	\$830.00	45045	\$1,316.52
184A7	\$11,299.93	28038	\$17,237.56	45061	\$31,720.07
18610	\$22,188.77	283L1	\$21,308.83	45211	\$59,942.00
194L1	\$31,602.45	283L8	\$13,077.99	45293	\$55,876.50
19718	\$13,868.45	28336	\$8,659.06	45711	\$15,304.12
19730	\$6,860.62	285L4	\$570.33	47132	\$792.96
19736	\$9,737.99	28532	\$135.56	47133	\$2,779.01
TOTAL					
\$2,107,987.24					

